Regional Office in Bavaria

Organisation and tasks
The Deutsche Bundesbank in the Eurosystem

The Deutsche Bundesbank is the central bank of the Federal Republic of Germany and since the establishment of European Monetary Union (EMU) is part of the Eurosystem. Together with the other euro-area central banks and the European Central Bank, it has been responsible for safeguarding price stability. The Bundesbank is involved in the Eurosystem’s monetary policy decision-making process and is responsible for implementing these decisions in Germany. In addition to the primary objective of conducting a stability-oriented monetary policy, the Bundesbank makes important contributions in four other core business areas: it helps to maintain a stable financial and monetary system, safeguards the functional viability of German credit and financial services institutions through its involvement in banking supervision, ensures the smooth execution of cashless payments, and guarantees a supply of cash to the economy.

At the beginning of the new millennium, the Bundesbank responded to its changed role within the euro area and the modified business environment by radically reforming its organisational structure and streamlining its branch network. Since 2002, the Bundesbank has been governed by a six-member Executive Board based at its Central Office in Frankfurt. In order to be able to provide central bank services nationwide, the Bundesbank has nine Regional Offices and currently 35 branches in Germany. With the impending opening of the new Dortmund branch, there are further changes in the pipeline. The completion of the operational launch will bring the number of branches to 31.
European Union and European Monetary Union

Members of the European Monetary Union

Accession to the European Monetary Union in fulfillment of the convergence criteria

Accession to the European Monetary Union at their own request and in compliance with the convergence criteria
Regional Office in Bavaria: regional mainstey of the Deutsche Bundesbank in the State of Bavaria

The Deutsche Bundesbank’s Regional Office in Bavaria, which is located in Munich, has a total of five branches in Augsburg, Munich, Nuremberg, Regensburg and Würzburg. Both the Regional Office and the branches maintain diverse relationships with business partners – financial institutions, public administrations and companies – in the State of Bavaria. The Regional Office is headed by a President, who acts as a contact partner for the above-mentioned institutions and is also responsible for the Bundesbank’s press and public relations work in Bavaria. The President receives support from his or her staff. The Regional Office regularly organises public lectures, some of which are aimed at experts and others at the general public under the motto “Forum Bundesbank”. The Regional President’s Office is also responsible for economic education in Bavaria. In addition to seminars for teachers, there are also lectures for school parties and events for university students – particularly on aspects of monetary policy.

Banking supervision constitutes one of the most important tasks for the Regional Office. The financial and sovereign debt crisis has highlighted the enormous fallout that excessive risk in the banking and financial sector can have for entire economies. At the end of 2012, the governments of the euro-area countries therefore decided to transfer extensive supervisory powers to the European Central Bank (ECB). Since November 2014, the ECB has directly supervised the most significant banks in the euro area under the Single Supervisory Mechanism. This currently amounts to 117 banks or banking groups, of which 21 are domiciled in Germany. Four of these are based in Bavaria. In order to fulfil this task, the ECB also works together with staff from the national supervisory authorities. Experts from the national authorities work together with ECB staff in joint supervisory teams.
The remaining – non-systemically important – credit and financial services institutions are still supervised by the national authorities. Within the framework of the Cooperation Agreement between the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank, the Regional Offices are responsible for the ongoing monitoring of these institutions. The regional presence of the Regional Office ensures local and effective supervision.

Staff members working in the Regional Division Banking and Financial Supervision analyse a wide range of information such as audit reports.
compiled by external auditors and various reports and notices, some of which are requested from the institutions on an ad hoc basis. During individual supervisory meetings, they discuss the business situation, profitability, risk situation and current problems with the management boards of the institutions. In addition, onsite inspections are conducted at the institutions to assess the adequacy of both the business organisation and capital, with particular emphasis on risk control procedures used and appropriate and effective risk management methods. Based on these findings, the banking supervisors draw up risk profiles for the institutions, which serve as a basis for ongoing supervision by the Bundesbank and BaFin. Based on these findings, the banking supervisors draw up risk profiles for the institutions, which serve as a basis for ongoing supervision by the Bundesbank and BaFin, particularly when it comes to setting capital add-ons in the context of the Supervisory Review and Evaluation Process (SREP).

Given the high density of financial institutions, the Regional Office in Bavaria makes a particularly substantial contribution towards safeguarding financial stability in Germany. Bavaria is home to almost one in four of the financial institutions in the German financial sector that are subject to supervisory oversight. The banking supervisors of the Regional Office in Munich monitor 670 of the around 3,000 institutions under supervision in Germany, 350 of which are credit institutions, 320 financial services institutions.

The “Credit Assessment and Securities Division” of the Regional Office in Bavaria is integrated into the Eurosystem’s monetary policy operations within Bavaria. When commercial banks borrow money from the Bundesbank within the framework of refinancing operations, they may inter alia submit credit claims on enterprises as collateral, provided these enterprises are deemed eligible. The team of assessors verifies whether the firms in question fulfill the Bundesbank’s high credit standards. In 2019 the Regional Office in Bavaria analysed about 3,500 companies
using Bundesbank procedures. As Germany’s “fiscal agent”, the Bundesbank participates in the price and market management of Federal securities. In this context, the “Credit Assessment and Securities Division” of the Regional Office in Bavaria makes necessary interventions at the Munich Stock Exchange. Acting on behalf of the Bavarian State Ministry of Finance, the branch is also responsible for investing and managing the “pension reserves fund”, into which the Bavarian government channels funds to finance the pension scheme for federal state civil servants.

The “In-house and Branch Operations Department”, which consists of the three divisions „Organisational Matters“, „Human Resources“ and „Administration“ supports the Regional Office and its branches in all organisational, personnel and administrative issues. The department ensures that all task forces are provided with the latest operational equipment and qualified staff and that all workflows are continually optimised. This enables the Bundesbank to consistently offer its business partners an appropriate and attractive range of services.
In addition to the units mentioned above, the Regional Office in Bavaria also houses three service centres, which perform operational activities for the entire Bundesbank.

The Service Centre for the Automation of Cash Processing is responsible for the technical and organisational development of the automated processing of banknotes and coins within the Bundesbank. Moreover, the service centre advises and supports the branches in the event of problems or queries regarding cash processing systems and conducts regular training courses for operators of cash processing systems.

The Service Centre for Financial Sanctions is responsible for the national implementation of sanctions on capital and payment transactions which are inter alia imposed by the United Nations Security Council or by EU resolutions. The service centre informs the banking community about new legal sanctions, settles issues of interpretation in this context and authorises the use of “frozen” assets.

The Service Centre for External Sector Audits and Reporting Queries at the Regional Office in Bavaria is responsible for auditing compliance with external reporting requirements by credit institutions, financial service institutions, insurance companies and enterprises in the Federal States of Bavaria, Baden-Württemberg, Saxony and Thuringia. The Foreign Trade and Payments Act (Außenwirtschaftsgesetz) and the Foreign Trade and Payments Regulation (Außenwirtschaftsverordnung) establish the legal basis for these activities. They require that, in particular, cross-border payments in excess of a certain threshold be reported. The audits carried out by the members of the service centre are intended to ensure the accuracy of the balance of payments, especially that of the services and capital accounts, which serve as a key pillar of monetary policy decision-making. The service centre is the central point of contact for all residents of the above-mentioned federal states for general external reporting enquiries.
Branches are first port of call for cash supply

The key task of the Bundesbank branches is to safeguard the supply of cash to the economy. The five branches subordinated to the Regional Office in Bavaria ensure that the commercial banks in the state of Bavaria are supplied with a sufficient amount of cash at all times and in any desired denomination. In turn, the credit institutions pass on this cash to the retail sector, enterprises and households. The cash cycle continues when consumers and especially retailers pay the cash in again at the banks. The credit institutions retain some of this cash for their cash balances and return any surplus amounts to the Bundesbank via its branches, thus completing the cash cycle. Cash used in trade can also be paid in at the Bundesbank directly.

Any soiled and damaged cash is filtered out by the branches, then destroyed and replaced with new banknotes and coins. In a similar fashion, counterfeits are retained and withdrawn from circulation. The Bundesbank’s Bavarian branches process an annual volume of about two billion banknotes and handle more than 12,700 tonnes of coins.

As representatives of the Bundesbank, the branch managers maintain close contact with the banks, business community and public authorities in their respective region. As part of the Bundesbank’s public relations work, the branches are also involved in holding training courses on counterfeit recognition – for vocational schools, in particular, but also for staff from credit institutions and in the retail trade – and providing economic education in schools.
Since the beginning of 2016, the Regional Office in Bavaria conducts the monitoring of external cash transactions – on the basis of EU regulations and ECB decisions. This includes checks on banknote and coin processing machines operated by credit institutions, cash-in-transit companies and other professional cash handlers. In 2019, a total of 266 processing systems were subject to system monitoring in Bavaria and Baden-Württemberg. 40 systems failed this test due to counterfeit money not being detected or damaged money not being removed from circulation. The recycling of money with these systems has been cut back until successful repeat test results are obtained. Staff involved in the monitoring process thus make an essential contribution to keeping the cash cycle free of counterfeit money and damaged banknotes and coins.
Munich branch takes care of customer service in the area of cashless payments

At the beginning of 2013, the Deutsche Bundesbank streamlined its customer service in the area of cashless payments and concentrated its resources on one branch per regional office. Since then, all cashless payment operations in Bavaria have been conducted by the Munich branch. Account management responsibility for public authorities and commercial banks has also been transferred to the Munich branch. These accounts give the credit institutions access to the payment systems of the Bundesbank. Moreover, they are used to settle the Eurosystem’s monetary policy refinancing operations.

The branch currently holds around 150 accounts for public institutions; the Bundesbank assumes the function of fiscal agent here, processing cashless payments for them. Via the Munich branch, the Bavarian credit institutions have access to the payment systems of the Bundesbank and the Eurosystem. For this purpose, around 300 Bavarian banks and savings banks hold business accounts that can be used for the large-value payment system TARGET2. This connection also provides them with access to the Eurosystem’s monetary policy refinancing operations and thus to central bank liquidity, which, in turn, is a precondition for their business activities.

Retail payments are processed via SEPA. In 2019, the Bundesbank’s Munich branch settled a daily volume of around 3.4 million transactions with a value of €2.6 billion in Bavaria. The vast majority of credit transfers, direct debits and card payments in Bavaria are thus processed via the Bundesbank’s systems.
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